



MADIBENG LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2007

**Madibeng Local Municipality
Annual Financial Statements
30 June 2007**

Municipal Manager's responsibility statement

I am responsible for the preparation of these annual financial statements, which are set out on pages 8 to 20, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



MAPULANE P.M
Municipal Manager

31/08/07
Date

**Madibeng Local Municipality
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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1. BASIS OF PRESENTATION

The annual financial statements have been prepared in accordance with the standards of Generally Recognised Accounting Practices (GRAP) and the standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

These standards are summarised as follows:

GRAP 1	Presentation of financial statements
GRAP 2	Cashflow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GAMAP 4	Effects of changes in foreign exchange rates
GAMAP 9	Revenue
GAMAP 7	Accounting for investments in associates
GAMAP 8	Financial reporting of interests in joint ventures
GAMAP 12	Inventories
GAMAP 17	Property, plant and equipment
GAMAP 19	Provisions, contingent liabilities and contingent assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP and or GAMAP standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on South African Statements of Generally Accepted Accounting Practices (SA GAAP) including interpretations issued by the Accounting Standards Board.

The Minister of Finance has, in terms of General Notice No. 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards.

A summary of significant accounting policies, which have been consistently applied except where an exemption has been granted are disclosed below.

2. PRESENTATION CURRENCY

These financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTIONS

The annual financial statements have been prepared on a going concern basis. Madibeng has an arrangement with Public Investment Corporation to repay R15million in 2007/2008 financial year. This repayment will be escalated to R20million and R30million in the 2008/2009 and 2009/2010 financial years respectively. The Bojanala Platinum District Municipality is aware of the PIC loan and has engaged the National government regarding assistance on the repayment of the loan. Madibeng is able to meet its normal trading commitments almost within the prescribed invoice period. Also note that the assets of the municipality fairly valued, will exceed the liabilities.

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4. PROPERTY, PLANT AND EQUIPMENT

- at historical cost, or

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (Continued)

- at valuation (based on the market price at the date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Chief Financial Officer.

Depreciation

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of the "Provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

- Appropriations from income, where the full cost of the assets forms an immediate and direct charge against the operation income, and therefore it is unnecessary to make any further provision for depreciation.
- *Grants or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and other Capital Receipts" account.*

5. HERITAGE ASSETS

Heritage assets are defined as cultural significant resources and are not depreciated as they are regarded as having an infinite life.

6. LAND

Land is not depreciated for the same reasons as the Heritage Assets above.

7. REVALUATION OF LAND AND BUILDINGS

Land and buildings are stated at revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation in respect of buildings.

8. INVENTORY

Consumables stores, raw materials, work-in-progress and finished goods are valued at cost.

9. RETIREMENT BENEFITS

The Municipality provides retirement benefits for its employee and councillors. The contributions to the fund obligations for payment of the retirement benefits are charged against the income in the year they become payable. The fund actuary performs the actuarial valuation of the fund at least after every three years. Where a fund has a deficit, it is funded by means of lump sum payment or increased future contributions on a proportional basis to all fund members.

10. REVENUE RECOGNITION

Assessment rates income is recognised once a rates assessment has been issued to the ratepayers. Adjustment or Interim rates are recognised once the Municipal Valuator has valued the change to properties. Rates collected on unpaid rates are recognised once the due date for payment has lapsed. Rates penalties charges are recognised after each payment interval has lapsed.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue arising from the application of the approved tariff of charges is generally recognised when the relevant service has been rendered.

Interest on rentals is recognised on a time proportion basis that takes into account the effective yields services on assets.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (Continued)

Revenue from sale of water and electricity is recognised when either a meter reading has been performed or an estimate of consumption is raised on a provisional basis.

Revenue from fines is recognised when payment is received, and the revenue from the issuing summonses is recognised when collected.

Amounts received from government and donors that are considered to be of revenue in nature are recognised on receipts. Amounts received from government and donors for purposes of acquiring of property, plant and equipment are classified as capital receipts and credited directly to non-distributable reserves. These amounts are realised to the income statement over the life of the property, plant and equipment acquired.

11. INVESTMENT

The municipality has an approved investment policy and assets are stated at cost, less any write-offs.

12. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

13. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

14. TRADE CREDITORS

Trade creditors are stated at their nominal value.

15. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

16. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (Continued)

17. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

20. RELATED PARTIES

Related party transactions are recognised at arms length.

21. COMPARATIVE INFORMATION

20.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

20.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

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STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

	Note	2007	2006 R
NET ASSETS AND LIABILITIES			
Capital and reserves		(90,123,331)	(9,080,171)
Township Development		-	22,326,125
Housing fund		(48,164,290)	-
Capital replacement reserve		-	85,054,223
Reserves		-	254,272
Government grant reserve		16,123,841	29,592,309
Loan redemption fund		-	15,305,927
Bursary loan fund		-	254,704
Land trust fund		-	1,269,872
Accumulated Surplus/(Deficit)		(58,082,882)	(163,137,603)
Non-current liabilities		358,781,536	336,718,130
Long-term liabilities	1	354,556,697	336,718,130
	2	4,224,839	-
Current liabilities		400,729,036	364,981,662
Short term liabilities	3	21,437,222	10,377,285
Creditors	4	335,351,862	342,675,842
Bank overdraft	5	36,144,337	4,536,206
Consumer deposits	6	7,795,615	7,392,329
Total Net Assets and Liabilities		669,387,241	692,619,621
ASSETS			
Non-current assets		248,068,107	218,484,655
Property, Plant and Equipment	7	171,996,814	156,126,011
Long term Investments	8	66,567,903	50,834,842
Long-term receivables	9	9,503,390	11,523,802
Current assets		421,319,134	474,134,966
Inventory	10	1,989,490	3,499,519
Consumer debtors	11	96,224,491	125,432,952
Other debtors	12	306,139,544	289,805,716
Vat receivable	13	2,768,729	16,110,659
Short-term receivables	14	4,329,623	2,900,000
Call investment deposits	15	7,894,428	19,433,675
Bank balances and cash	16	1,972,632	16,952,445
Total Assets		669,387,241	692,619,621

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**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007	2006 R
REVENUE			
Property rates	17	83,849,558	62, 599, 638
Service charges	18	248,813,127	205,167,865
Rental of facilities and equipment		1,367,535	1,005,575
Interest earned - external investments		13,738,526	10,939,404
Fines		529,643	1, 465,287
Licences and permits		2,244,629	4, 071, 157
Government Grants	19	109,788,176	78,976,546
Dividends		51,643	-
Agency commission income		2,259,119	
Other income	20	17,121,242	5,434,290
Total Revenue		479,763,198	369, 659, 762
EXPENDITURE			
Employee related costs	21	126,529,255	120,946,731
Remuneration of councillors	22	11,087,894	8,850,792
Leave provision		(5,745,316)	6,594,168
Collection costs		-	51,108
Provision for bad debts		74,500,410	
Repairs and maintenance		24,456,091	20,762,003
Interest paid	23	12,856,705	6,015,749
Bulk purchases	24	124,167,068	134,609,363
Contracted services		33,850,306	44,115,979
General expenses	25	131,360,250	97,440,740
Less Expenses recovered		(68,592,987)	(57,030,763)
Total Expenditure		464,469,676	382,355,870
SURPLUS/(DEFICIT)			
SURPLUS/(DEFICIT) FOR THE YEAR		15,293,522	(12,696,108)

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Statement of Changes in Net Assets at 30 June 2007

	<u>Township</u> <u>Develop.</u> <u>Fund</u>	<u>Capital</u> <u>Replacement</u> <u>Reserve</u>	<u>Housing</u> <u>Developme</u> <u>nt</u> <u>Account</u>	<u>Grants</u> <u>Fund</u>	<u>Land</u> <u>Trust funds</u>	<u>Books</u> <u>Lost</u>		<u>Assistance</u> <u>To</u> <u>Indigents</u>	<u>Bursary</u> <u>Loan</u> <u>Fund</u>	<u>Loans</u> <u>Redemption</u> <u>Fund</u>	<u>Capitalisation</u> <u>Reserve</u>	<u>Accumulated</u> <u>Surplus/</u> <u>(Deficit)</u>	<u>Total</u>
	R	R	R	R	R		<u>Working</u> <u>Capital</u>		R		R	R	R
2005													
Balance at 1 July 2005	26,390,819	72,018,309	16,006	2,811,799	1,148,918	5,704	208,507	(437,312)	234,528	13,529,710	-	(115,476,876)	450,112
Contributions	-	-	-	-	-	-	-	10,500,000	-	97,151	-	-	10,597,151
Interest	-	3,124,918	-	-	3,054	-	-	-	-	1,679,066	-	-	4,807,038
Other income	2,800,515	10,245,705	-	140,947,341	117,900	-	-	-	20,176	-	-	-	154,131,637
Ordinary Expenses	(6,865,209)	(206,174)	-	(6,798,172)	-	(5,704)	-	(2,475)	-	-	-	-	(13,877,734)
Capital expenses	-	(128,535)	-	(107,368,859)	-	-	-	(10,030,454)	-	-	-	-	(117,527,648)
Appropriations for the year (Note 26)	-	-	-	-	-	-	-	-	-	-	-	(30,380,880)	(30,380,880)
Correction of error Prior year leave adjustment	-	-	-	-	-	-	-	-	-	-	-	(4,583,739)	(4,583,739)
Accumulated (deficit) for the year 2006	-	-	-	-	-	-	-	-	-	-	-	(12,696,108)	(12,696,108)
2006													
Balance as at 1 July 2006	22,326,125	85,054,223	16,006	29,592,309	1,269,872	0	208,507	29,759	254,704	15,305,927	-	(163,137,603)	(9,080,171)
Transfer to accumulated surplus	(22,326,125)	(85,054,223)	-	-	(1,269,872)	-	(208,507)	(29,759)	(254,704)	(15,305,927)	-	124,449,117	-
Loans redeemed and other capital receipts	-	2,790,985	-	43,204,169	-	-	-	-	-	-	400,606,155	204,164,814	650,766,123
Transfers from retained income to CRR	-	2,269,261	-	-	-	-	-	-	-	-	-	(2,269,261)	-
Receipts conditional grants	-	-	-	112,089,706	-	-	-	-	-	-	-	-	121,891,693
Used to reduce the value of assets	-	(5,060,246)	-	(155,293,875)	-	-	-	-	-	-	(400,606,155)	(204,164,814)	(774,927,077)
Appropriations for the year (Note 26)	-	-	-	-	-	-	-	-	-	-	-	(36,719,060)	(36,719,060)
Expenses	-	-	(48,372,505)	(113,776,878)	-	-	-	-	-	-	-	(13,317,622)	(175,467,005)
Income	-	-	192,209	15,359,544	-	-	-	-	-	-	-	17,430,239	32,981,992
Other movement	-	-	-	84,948,866	-	-	-	-	-	-	-	187,786	85,136,652
Surplus for the year	-	-	-	-	-	-	-	-	-	-	-	15,293,522	15,293,522
Balance at 30 June 2006	-	-	(48,164,290)	16,123,841	-	-	-	-	-	-	-	(58,082,882)	(90,123,331)

9,080,171

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007	2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		487,106,291	491,835,871
Cash paid to suppliers and employees		(461,365,550)	(375,761,702)
Cash generated by operations	27	25,740,741	116,074,169
Interest received		13,738,526	10,939,404
Interest paid		(12,856,705)	(5,636,405)
NET CASH FROM OPERATING ACTIVITIES		24,858,920	121,377,168
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(130,229,770)	(116,951,547)
Increase in investment properties			
(Increase)/decrease in non-current receivables		590,789	(580,650)
Increase in non-current investments			
(Increase)/decrease in working capital		20,402,415	(35,528,376)
NET CASH FROM INVESTING ACTIVITIES		(109,236,566)	(153,060,431)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		26,295,457	30,484,115
Increase in consumer deposits		403,286	-
Increase/(decrease) in lease liability		4,224,839	-
Increase/(decrease) in short-term loans		11,059,937	(279,188)
(Increase)/decrease in investment		(4,193,814)	22,923,828
NET CASH FROM FINANCING ACTIVITIES		37,789,705	53,128,755
NET DECREASE IN CASH AND CASH EQUIVALENTS		(46,587,941)	21,445,492
Cash and cash equivalents at the beginning of the year		12,416,236	(9,029,253)
Cash and cash equivalents at the end of the year		(34,171,705)	12,416,239

**Madibeng Local Municipality
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Notes to the Annual Financial Statements

	2007	2006 R
1. LONG-TERM LIABILITIES		
Development Bank of SA	27,092,660	30,881,497
City Nominees (Stock)	16,000,000	16,000,000
Long-Term Loans (PIC)	311,464,037	289,836,633
Sub-total	<u>354,556,697</u>	<u>336,718,130</u>
2. FINANCE LEASE LIABILITY		
Lease liability	6,824,885	-
Short term portion	(2,600,046)	-
Sub-total	<u>4,224,839</u>	<u>-</u>
3. SHORT – TERM LIABILITIES		
C.M.B Nominees	-	5,000,000
Standard Bank Nominees (Stock)	-	2,000,000
Development bank of SA	3,837,176	3,377,285
PIC	15,000,000	-
Short-term portion of lease liability	2,600,046	-
Total External Loans	<u>21,437,222</u>	<u>10,377,285</u>
Refer to Appendix A for more detail on long-term liabilities		
4. CREDITORS		
Trade creditors	7,228,581	18,535,732
Payments received in advance	9,766,514	9,456,223
Retentions	7,293,597	215,100
Other creditors	303,578,716	301,239,017
Leave pay provision	7,484,454	13,229,770
Total Creditors	<u>335,351,862</u>	<u>342,675,842</u>
5. BANK OVERDRAFT		
ABSA – Brits – Account Number 4052683765 – (Overdrawn)	36,144,337	(4,536,206)
Total	<u>36,144,337</u>	<u>(4,536,206)</u>
6. CONSUMER DEPOSITS		
Electricity and Water	7,795,615	7,392,329
Total Consumer Deposits	<u>7,795,615</u>	<u>7,392,329</u>
Guarantees held in lieu of Electricity and Water Deposits	<u>903,590</u>	<u>903,590</u>

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Notes to the Annual Financial Statements (Continued)

7.	PROPERTY, PLANT AND EQUIPMENT	2007	2006
	Fixed assets at the beginning of the year	806,892,134	689,940,587
	Capital expenditure and transfer during the year	4,451,464	116,951,547
	Finance lease assets	11,972,658	
	Assets not yet capitalised	113,149,246	
	Sub total	937,121,904	806,892,134
	Less: Assets written off, transferred or disposed off during the year		-
	Total property, plant and equipment	937,121,904	806,892,134
	Less: Loans Redeemed and other Capital Receipts	(765,125,090)	(650,766,123)
	Net property, plant and equipment	171,996,814	156,126,011
8.	LONG-TERM INVESTMENTS		
	<u>Listed</u>		
	Sanlam Stock	34,933,852	22,522,937
	Old Mutual Stock	1,334,000	1,255,700
	Fixed Deposits	9,471,542	8,305,927
	Policies	12,623,009	10,382,004
	Gilts	8,205,500	8,368,274
	Total Long-term investments	66,567,903	50,834,842
	Market value of listed investments and other long-term investments.		
	Listed investments	36,267,852	23,778,637
	Other long-term investments	30,300,051	27,056,205
	Total Long-term investments	66,567,903	50,834,842
	Average rate of return		
	Market valuation of listed investments	6.095%	6.085%
Council adopted a prudent Investment Policy on the investment of surplus funds. Investment amounting to R29, 374, 106 has been pledged as security for external loan totalling R373, 393, 873.			
9.	LONG-TERM RECEIVABLES		
	Capital in debit	8,145,895	8,460,450
	Capital in debit	5,687,118	5,963,352
		13,833,013	14,423,802
	Less Short-term portion		
	Old balance (80)	(2,780,601)	(2,900,000)
	Loans (50)	(1,549,022)	-
	Total short-term	(4,329,623)	(2,900,000)
	Non-current portion	9,503,390	11,523,802
10.	INVENTORY		
	Consumable stock	1,989,490	2,817,802
	Nursery Stock	-	681,717
	Total	1,989,490	3,499,519

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Notes to the Annual Financial Statements (Continued)

11.	CONSUMER DEBTORS			2007	2006
	Consumer debtors			328,098,751	282,806,802
	Rates			80,379,661	
	Electricity			39,250,863	
	Water			152,065,888	
	Other			56,405,339	
	Less: Provision for bad debt			(231,874,260)	(157,373,850)
	Net balance			99,224,491	125,432,952
11.1	Property Rates				
	Current (0-30 days)			7,021,220	
	31-60 days			5,499,408	
	61-90 days			4,577,178	
	Over 90 days			63,281,855	
				80,379,661	
11.2	Electricity, Water and Other				
	Current (0-30 days)			22,813,607	
	31-60 days			13,660,413	
	61-90 days			7,060,617	
	Over 90 days			204,187,453	
				247,722,090	
11.3	Summary of debtors by Customer Classification				
	Current (0-30 days)	9,980,959	19,208,022	639,123	6,721
	31-60 days	6,412,078	12,347,149	397,722	2,874
	61-90 days	5,132,893	6,169,727	333,080	2,095
	Over 90 days	208,912,098	48,732,319	9,800,553	21,338
	Sub-Total	230,438,028	86,457,217	11,170,478	33,028
	The above is classified as follows	Consumers	Industrial/Commercial	National and Provincial government	Other
12.	OTHER DEBTORS				
	Other debtors			15,293,597	-
	Sundry debtors			290,845,947	289,805,716
	Total			306,139,544	289,805,716
13.	VAT RECEIVABLE				
	VAT			2,768,926	16,110,659

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Notes to the Annual Financial Statements (Continued)

14. SHORT-TERM RECEIVABLES	2007	2006
Old balance (80)	2,780,601	2,900,000
Loans (50)	1,549,022	
Total short-term	4,329,623	2,900,000
15. CALL INVESTMENT DEPOSITS		
<u>Financial Instruments</u>		
Banks	6,676,319	18,308,240
P.I.C	1,218,109	1,125,435
Total Cash Investments	7,894,428	19,433,675
16. BANK BALANCES AND CASH		
ABSA – Brits – Account Number 640000376	-	13,299,290
ABSA – Brits – Housing Number 4052683765	51,876,942	-
ABSA – Brits – Account Number	-	3,313,501
ABSA – Brits – Account Number 640179503	-	17,404
ABSA – Brits – Account Number 4055073462	21,405	21,405
ABSA – Brits – Account Number 4054697853	60,571	60,571
ABSA – Brits – Account Number 4055308239	229,078	229,077
Petty Cash	12,477	11,197
Total	52,200,472	16,952,445
BANK STATEMENT BALANCES AT YEAR END		
ABSA – Brits – Account Number 640179503	-	17,404
ABSA – Brits – Account Number 6-4000-0376	16,908,764	39,646,637
ABSA – Brits – Account Number 4055073462	21,550	21,406
ABSA – Brits – Account Number 4052683765	582,312	34,382
ABSA – Brits – Account Number 4054697853	60,091	60,571
ABSA – Brits – Account Number 4055308239	236,516	229,078
Total	17,808,233	40,009,478
17. PROPERTY RATES		
Category and actual income per category cannot be obtained by means of a report.	83,849,558	62,599,638
No valuation on land was preformed. The last general valuation for the former Brits TLC came into effect on 1 July 2000. The basic rate for 2005/2006 was 24.02c per rand on land only. The last general valuation for the former Hartebeespoort TLC came into effect on 1 July 2001 and the basic rate for 2005/2006 was 4,896c per rand on land only. The last general valuation for the former Mooiooi is unknown. The basic rate for 2005/2006 was 8,316c per rand on land only.		
18. SERVICES CHARGES		
Sale of water	69,545,274	52,102,328
Sale of electricity	138,248,620	117,186,205
Sewerage	23,625,021	18,454,131
Solid Waste	17,294,212	16,585,037
Regional dumping site	-	840,164
Total	248,813,127	205,167,865
19. Government Grants		
Equitable share	107,656,176	76,128,546
Provincial health subsidies	2,132,000	2,848,000
Total	109,788,176	78,976,546

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Notes to the Annual Financial Statements (Continued)

20. OTHER INCOME	2007	2006
Other income comprises mainly of the following :		
Building plans approval	2,359,786	1,449,172
Resorts : Entrance fees	115,532	743,876
Resorts : Rent log cabins	-	919,591
Council sundry income	8,000,193	-
Other	6,645,731	2,321,651
Total	17,121,242	5,434,290
21. EMPLOYEE RELATED COSTS		
Employee related costs: Salaries and Wages	70,950,995	76,469,800
Employee related costs: Contribution for UIF, pension and medical aid	24,710,132	23,786,492
Travel, motor car, accommodation, subsistence and other allowance	18,164,396	9,836,992
Housing benefits and allowances	874,360	1,067,413
Overtime payments	11,829,372	9,204,840
Performance bonus	-	581,194
Less employee cost included in other expenses	-	-
Total	126,529,255	120,946,731
21.1 Municipal Manager		
Annual Remuneration	528,427	578,165
Car allowance	122,633	141,252
Contributions: Pension, Medical Aid, UIF and Provident Funds	67,157	71,707
Totals	718,217	791,124
21.2 Chief Financial Officer		
Car allowance	282,092	370,236
Contributions: Pension, Medical Aid, UIF and Provident Funds	95,554	157,708
Totals	426,806	601,975
21.3 Other Section 57 Managers		
Annual remuneration	1,936,559	1,776,425
Car allowance	752,196	772,246
Contributions: Pension, Medical Aid, UIF and Provident Funds	401,664	385,185
Total	3,090,419	2,933,856
22. REMUNIRATION OF COUNCILLORS		
Mayor's allowance	295,748	274,457
Speakers' allowance	233,014	222,414
Councillors' allowance	3,953,349	2,779,544
Mayoral committee allowances	1,862,222	1,777,894
Councillors' pension contribution	844,602	785,934
Councillors' medical aid contribution	517,317	300,402
Councillors' use of personal facilities allowances	-	105,102
Councillors' cellphone allowances	689,386	678,458
Councillors' traveling allowances	2,692,753	1,610,567
Councillors' housing allowances	-	316,020
Total	11,087,894	8,850,792

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23. INTEREST PAID	2007	2006
Interest paid	12,856,705	6,015,749
24. BULK PURCHASES		
Electricity	90,797,627	89,209,462
Water	33,369,627	45,299,901
	124,167,068	134,609,363
25. GENERAL EXPENSES		
Other expenses comprises mainly of the following:		
Printing and stationery	1,080,469	1,292,871
Rental of machinery and equipment	1,601,229	5,510,459
Office rental	4,364,864	-
Medical aid member contribution	1,250,906	1,221,420
Audit fees	2,150,906	1,029,828
Software licences fees	1,350,845	1,598,098
Legal and professional fees	4,177,341	5,495,036
Security project cameras	2,331,011	1,794,264
Internal charge: Human resources	2,931,059	2,771,761
Internal charge: Stores	1,188,596	1,120,638
Council expenses	17,356,794	15,080,503
Corporate administration	7,711,078	7,044,167
Internal charge: Security	4,133,014	3,852,139
Internal charge: Municipal Manager	2,925,238	2,658,423
Loan redemption	5,871,045	7,059,331
Assistance to indigents	1,672	10,500,000
Security services	4,100,635	3,316,388
Telephone and calls	2,498,035	1,677,182
Insurance	1,507,592	1,429,258
Transport: Fuel and oil	894,773	4,080,900
Other	61,685,193	18,909,074
Total	131,360,250	97,440,740
26. APPROPRIATIONS FOR THE YEAR		
Difference between interest capitalised on investments vs loans	36,037,343	29,879,691
Increase in debtors (Water supplied by Sandspruit water)	-	(25,218,432)
Increase in provision for bad debts	-	30,541,620
Decrease in nursery stock	681,717	81,693
Sundry adjustments	-	900,975
VAT refund	-	(5,804,667)
Decrease in trade creditors	-	-
Total	36,719,060	30,380,880

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Notes to the Annual Financial Statements (Continued)

27. CASH GENERATED BY OPERATIONS

	2007	2006
Surplus for the year	15,293,522	(12,696,108)
Adjustment for:		
Prior year adjustment	(36,719,060)	(30,380,880)
Current depreciation charge	-	-
Contribution leave provisions	(5,745,590)	6,594,168
Contribution to provisions – current		
Contribution to bad debt provision	74,500,410	30,541,620
Statutory funds	-	97,151
Reserves	-	10,500,000
Interest received	(13,738,526)	(10,939,404)
Interest paid		
To internal funds	5,871,045	379,337
On external loans	5,820,532	5,636,405
Finance lease interest	1,165,129	
Redemption		
Of external advances	11,328,947	5,785,602
Of internal loans	6,501,631	2,881,139
Finance lease	2,878,153	
Assets ex grants- (Grants outstanding at year end transferred to debtors)	-	84,948,886
Non operating income		
Statutory funds	17,622,448	13,184,295
Trust funds	137,251,237	140,947,340
Non operating expenditure charged against:		
Statutory funds	(61,690,120)	(7,199,918)
Reserves	-	(10,038,633)
Trusts funds	(113,776,878)	(114,166,831)
Provisions	(11,021,180)	
Cash generated by operations	25,740,741	116,074,169

28.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank balances and cash	(36,144,337)	16,952,445
Bank overdraft	1,972,632	(4,536,206)
Total cash and cash equivalents	(34,171,705)	12,416,239

29. RELATED PARTIES

Madibeng local municipality is controlled by the Department of Local Government, which has the national government as its ultimate controlling institution.

Madibeng local municipality has received the grants and subsidies from national and provincial government as detailed in note 19.

The remuneration paid to section 57 managers, Municipal Manager, Chief Financial Officer and the Councillors is detailed in note 21.

The year-end councillors' arrear accounts are disclosed in detail in note 31.

**Madibeng Local Municipality
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Notes to the Annual Financial Statements (Continued)

	2007	2006
The following departments owed the municipality the following amounts		
Department		
Education	8,781,729	-
Public works	598,933	-
Agriculture	72,656	-
Health and welfare	163,650	-
Social Services	1,331	-
Tourism	7,755	-
South African Police Services	6,324,301	-
Housing	76,240	-
Roads and transport	6,150	-
Total	16,032,746	-

30. RETIREMENT BENEFITS

Councillors are members of the Municipal Councillors Pension Fund and are personal members of one of the following funds: (i) Joint Municipal Pension Fund, (ii) Municipal Workers Pension Fund, or (iii) Municipal Gratuity Fund. The last actuarial valuation of the pension funds was done on 30 June 2004. No serious deficiency was disclosed by this valuation.

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Notes to the Annual Financial Statements (Continued)

31	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE	2007	2006
31.1	Fruitless and wasteful expenditure		
	Reconciliation of fruitless and wasteful expenditure		
	Opening balance	-	-
	Fruitless and wasteful expenditure current year	-	223,218
	Condoned or written off by Council	-	-
	To be recovered – contingent asset (See note 34)	-	(223,218)
	Fruitless and wasteful expenditure awaiting condonement	-	-
31.2	Irregular expenditure		
	Reconciliation of irregular expenditure		
	Opening balance	-	-
	Fruitless and wasteful expenditure current year	-	7,655,839
	Condoned or written off by Council	-	-
	To be recovered – contingent asset (See note 34)	-	(7,655,839)
	Irregular expenditure awaiting condonement	-	-
32.	COUNCILORS' ARREARS CONSUMER ACCOUNTS		
	The following councillors owe the municipality and have made an arrangements to repay the amounts owing		
	Councillor	3,110	-
	Councillor D Lion	2,310	-
	Councillor SM Magakwe	20,914	-
	Councillor WS Molefe	26,334	-
	All these amounts are owing for greater than 90 days		
33.	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
33.1	Audit fees		
	Opening balance	-	-
	Current year audit fee	2,150,906	1,029,828
	Amount paid - current year	(2,150,906)	(1,029,828)
	Amount paid - previous years	-	-
	Balance unpaid (included in creditors)	-	-

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33.2 PAYE and UIF	2007	2006
Opening balance	-	-
Current year payroll deductions	15, 233, 911	15,240,311
Amount paid - current year	(15, 233, 911)	(15,240,311)
Amount paid - previous years	-	-
Balance unpaid (Included in creditors)	-	-

33.3 PENSION AND MEDICAL AID DEDUCTIONS

Opening balance	-	-
Current year payroll deductions and council contributions	35,577,914	-
Amount paid – current year	-35,577,914	-
Amount paid – previous years	-	-
Balance unpaid (Included in creditors)	-	-

34. CONTINGENT LIABILITY

34.1 Claim for damages	25,261,785	4,000,000
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The municipality has taken a decision to evict the African Water Safaris (Pty) Ltd from Oberon resort as there was no active lease agreement between them and the municipality. African Water Safaris is claiming R4, 200,000 for refurbishment done on the resort.

The ZD Distributors Cleaning and Construction CC is suing the municipality for breach of contract and cancellation, amount involved is R2, 140,000.

Paphiri Busines Enterprise CC is suing the council for R2, 000,000 for underpayment in terms of refuse removal contract. It alleged that the municipality failed to conduct house count every six months and consider CPI in order to adapt fees payable for services rendered.

Sandspruit Water and Madibeng municipality has a tacit agreement, whereby water is supplied to rural areas under the service of the municipality. Sandspruit Water is suing the municipality for an amount of R16, 920,785 for operational losses, however the municipality is disputing the claim as these losses are on bulk purchases from Rand Water done by Sandspruit Water on behalf of the municipality, for which the municipality has already been invoiced.

35. EVENTS AFTER THE BALANCE SHEET DATE

The municipality has been ordered by the high court to provide infrastructure to Kosmos Ridge Extension 63, which will cost R6, 000, 000. The above figure has not been budgeted for.

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APPENDIX A						
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007						
EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/06	Received during the Period	Redeemed Written off during the Period	Balance at 30/06/07
LONG-TERM LOANS			R	R	R	R
IStock Loan @ 11.50%	E21	2006	2,500,000	-	2,500,000	-
Stock Loan @ 12.75%	E23	2006	2,500,000	-	2,500,000	-
Stock Loan @ 12.00%	30	2006	2,000,000	-	2,000,000	-
Stock Loan @ 12.00%	32	2011	16,000,000	-	-	16,000,000
Development bank of South Africa			32,687,070	-	2,975,287	29,711,783
Development Bank of South Africa (former Local Authority Loan Fund)			1,571,712	-	353,660	1,218,053
Venture Capital (PIC)			289,836,633	37,627,404	1,000,000	326,464,037
TOTAL EXTERNAL LOANS			347,095,415	37,627,404	11,328,947	373,393,873

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APPENDIX B

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED

30 JUNE 2007

2006 Actual Income R	2006 Actual Expenditure R	2006 Surplus/ (Deficit) R		2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R
-	1,435,635	1,435,635	Executive & Council	27,448,290	29,268,701	(1,820,411)
72,696,916	6,723,845	65,973,021	Finance & Admin	215,691,949	61,744,655	153,947,294
135,355	2,111,639	(1,976,284)	Planning & Development	886,327	8,986,597	(8,100,270)
331,447	2,031,327	(1,699,880)	Health	430,000	4,893,733	(4,893,733)
66,560,000	75,234,846	(8,674,846)	Community & Social Services	11,536,962	92,126,939	(80,589,977)
-	2,039,821	2,039,821	Housing	-	2,683,525	(2,683,525)
1,178,582	22,194,845	(21,016,263)	Public Safety	6,487,361	12,891,101	(7,500,231)
122,702	18,453,024	(18,330,322)	Sport & Recreation	431,867	18,090,478	(17,658,611)
27,422,420	24,227,434	3,194,986	Environmental Protection	113,412	2,802,906	(2,689,484)
18,800,008	17,905,289	894,719	Waste Management	51,882,729	46,048,191	5,834,538
61,558,323	90,735,818	(29,177,495)	Water	85,397,577	112,023,332	(26,625,743)
120,854,009	112,668,128	8,185,881	Electricity	148,039,711	146,485,243	1,554,468
	6,594,169	(6,594,169)	Leave provision		(5,745,316)	(5,745,316)
369,659,762	382,355,870	(12,696,108)	Total	550,356,155	533,062,633	15,293,522

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APPENDIX C

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007

	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>Explanation of Significant Variances</u>
REVENUE	Actual (R)	Budget (R)	Variance (R)	Variance (%)	greater than 10% versus Budget
Property rates	83,849,558	64,257,703	19,591,855	30%	<i>The municipality registered more new ratepayers in the</i>
Property rates - penalties imposed and collection charges	-	-	-		
Service charges	248,813,127	214,543,353	34,697,774	16%	This is due to tariff increase and the new customers
Regional Services Levies – turnover	-	-	-		
Regional Services Levies – remuneration	-	-	-		
Rental of facilities and equipment	1,367,535	2,986,365	1,618,830	-54%	
Interest earned - external investments	995,300	396,000	599,300	151%	
Interest earned - outstanding debtors	12,743,226	10,108,535	2,634,691	26%	
Dividends received	51,643	-	(51,643)	100%	
Fines	529,643	1,628,000	(1,098,357)	-54%	
Licences and permits	2,224,629	2,489,500	(1,098,357)	-10%	
Income for agency services	2,529,119	2,900,000	(370,881)	-31%	
Government grants and subsidies	109,778,176	105,374,750	(4,403,426)	-4%	
Other income	17,121,242	20,057,472	5,562,565	-15%	
Public contributions, donated/contributed PPE	-	-	-		
Gains on disposal of property, plant and equipment	-	-	-		
Internal transfers	68,592,987	70,417,242	(1,824,255)	-3%	
Total Revenue	548,346,185	495,159,020			
EXPENDITURE					
Executive & Council	29,268,987	25,055,868	4,213,119	17%	
Finance & Admin	32,805,038	54,528,608	(21,723,570)	-40%	
Planning & Development	8,986,597	13,794,713	(4,808,116)	-35%	
Health	4,893,733	4,699,708	194,025	4%	
Community & Social Services	36,450,520	43,500,029	(7,049,509)	-16%	
Housing	2,683,525	2,557,803	125,722	5%	
Public Safety	12,891,104	22,175,350	(9,284,246)	-42%	
Sport & Recreation	18,090,478	20,236,414	(2,145,936)	-11%	
Environmental Protection	2,802,906	3,395,950	(593,044)	-17%	
Waste Management	46,048,191	49,832,206	(3,784,015)	-8%	
Road Transport	20,091,128	23,044,590	(2,953,462)	-13%	
Water	112,023,332	80,375,499	31,647,833	39%	
Electricity	146,485,243	126,921,987	19,563,256	15%	
Other	59,944,426	24,947,534	34,996,892	140%	
Total Expenditure	533,062,663	495,064,296			
NET SURPLUS/(DEFICIT) FOR THE YEAR	15,293,522	92,492			